

CITY OF ELDRIDGE, IOWA

Independent Auditor's Reports
Basic Financial Statements
Supplementary Information
Schedule of Findings

June 30, 2007

CITY OF ELDRIDGE, IOWA

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CITY OF ELDRIDGE, IOWA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bradley J. Noel	Mayor	Jan 2010
Jim Curtis	Council Member	Jan 2008
Steve Mohr	Council Member	Jan 2010
Marty O'Boyle	Council Member	Jan 2010
Steve Puls	Council Member	Jan 2012
Brian Wood	Council Member	Jan 2012
Bernie Peeters	Council Member	Jan 2012
Michael E. Ripperger	Utility Board Trustee	Feb 2009
Kevin A. Kroeger	Utility Board Trustee	Feb 2010
Donald M. Stoltenberg	Utility Board Trustee	Feb 2011
John Powell	Utility Board Trustee	Feb 2012
Adrian Blackwell	Utility Board Trustee	Feb 2014
John R. Dowd	City Administrator	
Matt Van Waus	Assistant City Administrator	
Denise M. Benson	City Clerk	
Thomas R. Schirman, Jr.	City Attorney	
Brian Wessel	Public Works Director	
Martin J. Stolmeier	Police Chief	
David Engler	Fire Chief	
Myron K. Scheibe	City Engineer	
Robert Kuehl	Building Official/Inspector	
Dan Glunz	Utility Manager	
Pat Bredow	Community Center Manager	

GABELMANN & ASSOCIATES, P.C.

Certified Public Accountants

Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Eldridge, Iowa:

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldridge, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City of Eldridge, Iowa's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Eldridge, Iowa's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldridge, Iowa at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2008 on our consideration of the City of Eldridge, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 39 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

GABELMANN & ASSOCIATES, P.C.

Certified Public Accountants

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Eldridge, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2004 (which are not presented herein) were audited by other auditors who expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bettendorf, Iowa
March 27, 2008

Gabelmann & Associates, P.C.

CITY OF ELDRIDGE, IOWA

Management's Discussion and Analysis

June 30, 2007

The City of Eldridge, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements.

2007 Financial Highlights

Revenues of the City's governmental activities decreased 0.7%, or approximately \$26,000, from the prior fiscal year. Program expenses of the City's governmental activities increased 24.9%, or approximately \$646,000, over the prior fiscal year.

The City's net assets decreased 2.9%, or approximately \$1,780,000, from June 30, 2006 to June 30, 2007. Of this amount, the net assets of the governmental activities decreased approximately \$1,425,000 and the net assets of the business type activities decreased approximately \$355,000.

Using This Annual Report

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Government-wide Financial Statements consist of a statement of net assets and a statement of activities. These provide information about the activities of the City of Eldridge, Iowa as a whole and present an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the City's nonmajor governmental and special revenue funds. In addition, the schedule of revenues by source and expenditures by function provides historical detail for the governmental funds over the last four years.

CITY OF ELDRIDGE, IOWA
Management's Discussion and Analysis

Reporting the City's Financial Activities

(1) Government-wide Financial Statements

The statement of net assets and the statement of activities report all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The statement of net assets presents all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The statement of net assets and the statement of activities report two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and intergovernmental payments finance most of these activities.
- Business type activities include the water and electric utilities, sanitary sewer system and the community center. These activities are financed primarily by user charges.

(2) Fund Financial Statements

The City has two kinds of funds:

Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year end that are available for spending. Governmental funds include the General Fund, the Special Revenue Funds, such as the Road Use Tax, the Sales Tax Projects, the Hotel Tax, and the TIF Funds, the Debt Service Fund, the Capital Improvement Fund and the Street Projects Fund. These funds are reported using the current financial resources measurement focus and modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

CITY OF ELDRIDGE, IOWA

Management's Discussion and Analysis

Reporting the City's Financial Activities, continued

(2) Fund Financial Statements, continued

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balance. Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Proprietary funds account for the services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the statement of net assets and the statement of activities. The major difference between the proprietary funds and the business type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. Proprietary funds include the Electric Fund, Water Fund, Sewer Fund and Community Center Fund, each considered to be a major fund of the City. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental and business type activities.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	June 30, <u>2007</u>	June 30, <u>2006</u>	June 30, <u>2007</u>	June 30, <u>2006</u>	June 30, <u>2007</u>	June 30, <u>2006</u>
Current and other assets	\$ 5,624,527	\$ 5,413,178	\$ 5,462,852	\$ 8,321,704	\$11,087,379	\$13,734,882
Capital assets	<u>16,878,522</u>	<u>18,665,764</u>	<u>39,772,810</u>	<u>34,696,268</u>	<u>56,651,332</u>	<u>53,362,032</u>
Total assets	<u>22,503,049</u>	<u>24,078,942</u>	<u>45,235,662</u>	<u>43,017,972</u>	<u>67,738,711</u>	<u>67,096,914</u>
Long-term liabilities	770,710	941,247	4,718,797	1,563,280	5,489,507	2,504,527
Other liabilities	<u>1,703,951</u>	<u>1,683,766</u>	<u>551,806</u>	<u>1,134,880</u>	<u>2,255,757</u>	<u>2,818,646</u>
Total liabilities	<u>2,474,661</u>	<u>2,625,013</u>	<u>5,270,603</u>	<u>2,698,160</u>	<u>7,745,264</u>	<u>5,323,173</u>
Net Assets:						
Invested in capital assets, net of related debt	15,996,615	17,606,307	35,590,679	36,385,350	51,587,294	53,991,657
Restricted	858,155	958,664	526,575	176,500	1,384,730	1,135,164
Unrestricted	<u>3,173,618</u>	<u>2,888,958</u>	<u>3,847,805</u>	<u>3,757,962</u>	<u>7,021,423</u>	<u>6,646,920</u>
Total net assets	<u>\$20,028,388</u>	<u>\$21,453,929</u>	<u>\$39,965,059</u>	<u>\$40,319,812</u>	<u>\$59,993,447</u>	<u>\$61,773,741</u>

CITY OF ELDRIDGE, IOWA

Management's Discussion and Analysis

Government-Wide Financial Analysis, continued

Net assets of governmental activities decreased approximately \$1,425,000, or 6.6%. Net assets of business type activities decreased approximately \$355,000, or 0.9%. The largest portion of the City's net assets was invested in capital assets less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions. Unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations, was approximately \$7,021,000 at the end of this year.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	June 30, <u>2007</u>	June 30, <u>2006</u>	June 30, <u>2007</u>	June 30, <u>2006</u>	June 30, <u>2007</u>	June 30, <u>2006</u>
Revenues:						
Charges for service	\$ 494,836	\$ 678,207	\$ 3,962,153	\$ 3,934,832	\$ 4,456,989	\$ 4,613,039
Operating grants and contributions	28,475	55,357	192	192	28,667	55,549
General revenues:						
Property tax levied for:						
General purpose	1,310,650	1,213,182	-	-	1,310,650	1,213,182
Debt service	51,927	54,844	-	-	51,927	54,844
Tax increment financing	333,971	491,543	-	-	333,971	491,543
Franchise tax	39,730	36,762	-	-	39,730	36,762
Road use tax	400,638	402,468	-	-	400,638	402,468
Local option sales tax	677,576	668,161	-	-	677,576	668,161
Assessments	12,403	-	-	-	12,403	-
Interest on investments	127,830	90,112	322,764	165,954	450,594	256,066
Transfers	(243,200)	(35,655)	243,200	35,655	-	-
Capital outlays paid by governmental funds	-	(144,771)	-	144,771	-	-
Miscellaneous	<u>201,665</u>	<u>(95,330)</u>	<u>49,125</u>	<u>110,363</u>	<u>250,790</u>	<u>15,033</u>
Total	<u>3,436,501</u>	<u>3,414,880</u>	<u>4,577,434</u>	<u>4,391,767</u>	<u>8,013,935</u>	<u>7,806,647</u>
Program expenses:						
Public safety	722,241	688,237	-	-	722,241	688,237
Public works	3,023,571	2,469,005	-	-	3,023,571	2,469,005
Culture and recreation	352,935	234,459	-	-	352,935	234,459
Community and economic development	58,728	49,159	-	-	58,728	49,159
General government	662,987	660,388	-	-	662,987	660,388
Interest on long-term debt	41,580	45,371	199,306	68,344	240,886	113,715
Electric	-	-	2,989,732	2,605,719	2,989,732	2,605,719
Water	-	-	564,143	586,131	564,143	586,131
Sewer	-	-	922,047	861,293	922,047	861,293
Community center	-	-	256,959	263,811	256,959	263,811
Total	<u>4,862,042</u>	<u>4,146,619</u>	<u>4,932,187</u>	<u>4,385,298</u>	<u>9,794,229</u>	<u>8,531,917</u>
Change in net assets	(1,425,541)	(731,739)	(354,753)	6,469	(1,780,294)	(725,270)
Net assets, beginning of year	<u>21,453,929</u>	<u>22,185,668</u>	<u>40,319,812</u>	<u>40,313,343</u>	<u>61,773,741</u>	<u>62,499,011</u>
Net assets, end of year	<u>\$20,028,388</u>	<u>\$21,453,929</u>	<u>\$39,965,059</u>	<u>\$40,319,812</u>	<u>\$59,993,447</u>	<u>\$61,773,741</u>

CITY OF ELDRIDGE, IOWA

Management's Discussion and Analysis

Individual Major Fund Analysis

The General Fund showed a small increase in fund balance of \$100,038 at June 30, 2007. Revenues increased 9.7% while expenditures increased 14.7%. Other financing sources increased 108.6%.

The Road Use Tax Fund, which accounts for road construction and maintenance, had a decrease in fund balance of \$100,509 at June 30, 2007.

The Sales Tax Projects Fund, which accounts for the tax revenues and the capital improvements, purchases of equipment and community programs and services for which they are used, had an increase in fund balance of \$143,615 at June 30, 2007.

The Electric Fund, which accounts for the operation and maintenance of the City's electric system, had net assets of \$17,597,394 at June 30, 2007 compared to net assets of \$18,037,583 at June 30, 2006.

The Water Fund, which accounts for the operation and maintenance of the City's water system, had net assets of \$8,152,785 at June 30, 2007 compared to net assets of \$8,035,179 at June 30, 2006.

The Sewer Fund, which accounts for the operation and maintenance of the City's sewer system, had net assets of \$13,196,661 at June 30, 2007 compared to net assets of \$13,235,598 at June 30, 2006.

The Community Center Fund, which accounts for the operation of the City's Community Center, had net assets of \$1,018,219 at June 30, 2007 compared to net assets of \$1,011,452 at June 30, 2006.

Budgetary Highlights

The City's receipts were \$138,057 less than budgeted receipts, a variance of 1.7%. The most significant variance resulted from having less charges for service than originally anticipated. The budget included proprietary investment income and miscellaneous income within charges for service. Internal reporting shows that revenues exceeded budgeted levels by \$611,250, a variance of 5%. We are unable to explain the reason behind this difference.

The City's disbursements were \$138,097 higher than budgeted disbursements, a variance of 1.3%. Disbursements for public works were \$393,482 more than budgeted and disbursements for capital projects were \$529,896 less than budgeted due to projects performed by the City that were not considered capital projects for reporting purposes. Additionally, disbursements for business type activities were \$319,093 more than budgeted due to additional costs to finalize capital projects. Internal reporting indicates that actual expenditures were under budgeted levels by \$1,571,113, a variance of 11%. The difference between the audit report and internal records appears to be attributed to differences in classifications of expenditures and the timing of accrual entries in the audited statements.

CITY OF ELDRIDGE, IOWA

Management's Discussion and Analysis

Capital Assets and Debt Administration

The City's capital assets include land, infrastructure, buildings, equipment and vehicles as well as construction in progress. Capital assets of governmental activities totaled \$16,884,316, net of accumulated depreciation, at June 30, 2007. Capital assets of business type activities totaled \$40,605,679, net of accumulated depreciation, at June 30, 2007. Construction in progress at June 30, 2007 consists primarily of the renovation to an electric generating plant and an expansion of a wastewater treatment plant. See notes 3 and 11 to the financial statements for more information about the City's capital assets.

At June 30, 2007, the City had \$865,000 in total long-term debt outstanding for governmental activities. The City also had \$5,015,000 in total long-term debt outstanding for business type activities. Electric revenue bonds in the amount of \$3,665,000 were issued during the current fiscal year. Additional information about the City's long-term debt is presented in note 4 to the financial statements.

The Future of the City of Eldridge, Iowa

The City of Eldridge, Iowa remains in a strong position to continue operations into the next fiscal year. Taxable values increased by nearly \$9.9 million as of January 1, 2006. This is an increase of 4.9% over the 2005 valuations. Debt service valuations increased by \$7.0 million or 3.3% over 2005 levels. These increases, while not as great as last year, will still provide property tax dollars for future operations. The projected tax levy rates per \$1000 of taxable value for the 2007-2008 fiscal year are:

<u>Tax Levy Purpose</u>	<u>Estimated Levy Rate</u>
Regular General Levy	\$6.27
Tort Liability Levy	0.14
Debt Service Levy	<u>0.24</u>
Total Tax Levy	<u>\$6.65</u>
Agricultural Land Levy	<u>\$2.58</u>

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information please contact either the City Clerk or the City Administrator at City Hall, 305 N Third Street, Eldridge, Iowa, 52748 or by telephone at 563-285-4841.

John R. Dowd
City Administrator

CITY OF ELDRIDGE, IOWA

Statement of Net Assets

June 30, 2007

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and investments	\$ 3,993,058	\$ 2,587,167	\$ 6,580,225
Receivables:			
Property tax:			
Current year	57,686	-	57,686
Succeeding year	1,412,709	-	1,412,709
Other tax	49,309	-	49,309
Customer accounts and unbilled usage	-	502,858	502,858
Accounts	26,809	-	26,809
Accrued interest	28,178	71,820	99,998
Due from other funds	(5,749)	5,749	-
Inventories	27,474	495,320	522,794
Prepaid insurance	29,107	31,310	60,417
Other assets	152	152	304
Restricted cash and investments	-	935,607	935,607
Construction in progress	5,794	832,869	838,663
Capital assets, net of accumulated depreciation	<u>16,878,522</u>	<u>39,772,810</u>	<u>56,651,332</u>
Total assets	<u>22,503,049</u>	<u>45,235,662</u>	<u>67,738,711</u>
<u>Liabilities</u>			
Accounts payable	54,199	51,913	106,112
Accrued interest payable	2,882	17,817	20,699
Salaries and benefits payable	7,907	3,014	10,921
Accrued expenses	2,024	51,179	53,203
Deferred revenue:			
Succeeding year property tax	1,412,709	-	1,412,709
Long-term liabilities:			
Portion due or payable within one year:			
Customer deposits	-	51,215	51,215
General obligation bonds	170,000	-	170,000
Revenue bonds	-	340,000	340,000
Capital lease	7,119	-	7,119
Compensated absences	47,111	36,668	83,779
Portion due or payable after one year:			
General obligation bonds	695,000	-	695,000
Revenue bonds	-	4,675,000	4,675,000
Capital lease	15,582	-	15,582
Compensated absences	<u>60,128</u>	<u>43,797</u>	<u>103,925</u>
Total liabilities	<u>2,474,661</u>	<u>5,270,603</u>	<u>7,745,264</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	15,996,615	35,590,679	51,587,294
Restricted for:			
Road purposes	858,155	-	858,155
Revenue bond retirement	-	526,575	526,575
Unrestricted	<u>3,173,618</u>	<u>3,847,805</u>	<u>7,021,423</u>
Total net assets	<u>\$20,028,388</u>	<u>\$39,965,059</u>	<u>\$59,993,447</u>

See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA

Statement of Activities

Year Ended June 30, 2007

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
Public safety	\$ 722,241	\$ 154,878	\$ 3,835
Public works	3,023,571	187,829	-
Culture and recreation	352,935	64,008	24,640
Community and economic development	58,728	1,108	-
General government	662,987	87,013	-
Interest on long-term debt	41,580	-	-
Total governmental activities	<u>4,862,042</u>	<u>494,836</u>	<u>28,475</u>
Business type activities:			
Electric	2,989,732	2,582,263	192
Water	564,143	573,284	-
Sewer	922,047	567,451	-
Community center	256,959	239,155	-
Interest on long-term debt	199,306	-	-
Total business type activities	<u>4,932,187</u>	<u>3,962,153</u>	<u>192</u>
Total	\$ <u>9,794,229</u>	\$ <u>4,456,989</u>	\$ <u>28,667</u>

General revenues:

Property tax levied for:

General purpose

Debt service

Tax increment financing

Franchise tax

Road use tax

Local option sales tax

Assessments

Interest on investments

Transfers

Miscellaneous

Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

See accompanying notes to financial statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$(563,528)	\$ -	\$(563,528)
(2,835,742)	-	(2,835,742)
(264,287)	-	(264,287)
(57,620)	-	(57,620)
(575,974)	-	(575,974)
(41,580)	-	(41,580)
<u>(4,338,731)</u>	<u>-</u>	<u>(4,338,731)</u>
-	(407,277)	(407,277)
-	9,141	9,141
-	(354,596)	(354,596)
-	(17,804)	(17,804)
<u>-</u>	<u>(199,306)</u>	<u>(199,306)</u>
<u>-</u>	<u>(969,842)</u>	<u>(969,842)</u>
\$(<u>4,338,731</u>)	\$(<u>969,842</u>)	\$(<u>5,308,573</u>)
1,310,650	-	1,310,650
51,927	-	51,927
333,971	-	333,971
39,730	-	39,730
400,638	-	400,638
677,576	-	677,576
12,403	-	12,403
127,830	322,764	450,594
(243,200)	243,200	-
<u>201,665</u>	<u>49,125</u>	<u>250,790</u>
<u>2,913,190</u>	<u>615,089</u>	<u>3,528,279</u>
(1,425,541)	(354,753)	(1,780,294)
<u>21,453,929</u>	<u>40,319,812</u>	<u>61,773,741</u>
\$ <u>20,028,388</u>	\$ <u>39,965,059</u>	\$ <u>59,993,447</u>

CITY OF ELDRIDGE, IOWA

Balance Sheet –
Governmental Funds

June 30, 2007

<u>Assets</u>	<u>General Fund</u>	<u>Special Revenue</u>		<u>Other Nonmajor Governmental Funds</u>	<u>Total All Funds</u>
		<u>Road Use Tax Fund</u>	<u>Sales Tax Projects Fund</u>		
Cash and investments	\$ 949,419	\$ 872,037	\$ 944,339	\$1,227,263	\$3,993,058
Receivables:					
Property tax:					
Current year	41,737	-	-	15,949	57,686
Succeeding year	1,361,199	-	-	51,510	1,412,709
Other tax	-	-	49,309	-	49,309
Accounts	26,809	-	-	-	26,809
Accrued interest	28,178	-	-	-	28,178
Due from other funds	97,263	-	-	-	97,263
Inventories	27,474	-	-	-	27,474
Prepaid insurance	29,107	-	-	-	29,107
Other assets	152	-	-	-	152
Total assets	<u>\$2,561,338</u>	<u>\$ 872,037</u>	<u>\$ 993,648</u>	<u>\$1,294,722</u>	<u>\$5,721,745</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 33,805	\$ 13,882	\$ 6,466	\$ 46	\$ 54,199
Accrued interest payable	-	-	-	2,882	2,882
Salaries and benefits payable	7,907	-	-	-	7,907
Accrued expenses	2,024	-	-	-	2,024
Due to other funds	102,812	-	-	200	103,012
Deferred revenue:					
Succeeding year property tax	1,361,199	-	-	51,510	1,412,709
Compensated absences	47,111	-	-	-	47,111
Total liabilities	<u>1,554,858</u>	<u>13,882</u>	<u>6,466</u>	<u>54,638</u>	<u>1,629,844</u>
Fund balances:					
Restricted for:					
Road purposes	-	858,155	-	-	858,155
Unrestricted:					
Designated for:					
Equipment replacement	233,061	-	-	-	233,061
Capital projects	-	-	-	561,894	561,894
Other purposes	-	-	987,182	657,518	1,644,700
Undesignated	773,419	-	-	20,672	794,091
Total fund balances	<u>1,006,480</u>	<u>858,155</u>	<u>987,182</u>	<u>1,240,084</u>	<u>4,091,901</u>
Total liabilities and fund balances	<u>\$2,561,338</u>	<u>\$ 872,037</u>	<u>\$ 993,648</u>	<u>\$1,294,722</u>	<u>\$5,721,745</u>

See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA

Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Assets

June 30, 2007

Total governmental fund balance (page 13)	\$ 4,091,901
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Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$27,006,569 and the accumulated depreciation is \$10,122,253.	16,884,316
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Long-term liabilities, including bonds payable, capital leases and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(<u>947,829</u>)
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Net assets of governmental activities (page 10)	<u>\$20,028,388</u>
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See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA

Statement of Revenues, Expenditures
and Changes in Fund Balances –
Governmental Funds

Year Ended June 30, 2007

		Special Revenue		Other	
	General	Road	Sales Tax	Nonmajor	Total
	Fund	Use Tax	Projects	Governmental	All
		Fund	Fund	Funds	Funds
Revenues:					
Property tax	\$1,310,650	\$ -	\$ -	\$ 51,927	\$1,362,577
Tax increment financing	-	-	-	333,971	333,971
Other taxes	39,730	-	633,821	56,158	729,709
Licenses and permits	160,630	-	-	-	160,630
Rent	27,943	-	-	11,901	39,844
Intergovernmental	6,960	400,638	-	-	407,598
Charges for service	334,206	-	-	-	334,206
Interest on investments	127,830	-	-	-	127,830
Miscellaneous	151,097	5,082	5,642	21,515	183,336
Total revenues	<u>2,159,046</u>	<u>405,720</u>	<u>639,463</u>	<u>475,472</u>	<u>3,679,701</u>
Expenditures:					
Operating:					
Public safety	676,876	-	-	30,000	706,876
Public works	551,990	481,229	-	7,770	1,040,989
Culture and recreation	310,785	-	-	33,879	344,664
Community and economic development	51,866	-	-	3,507	55,373
General government	336,494	-	75,054	210,078	621,626
Debt service	8,519	-	-	204,817	213,336
Capital projects	129,278	-	5,794	127,867	262,939
Total expenditures	<u>2,065,808</u>	<u>481,229</u>	<u>80,848</u>	<u>617,918</u>	<u>3,245,803</u>
Excess (deficiency) of revenues over (under) expenditures	<u>93,238</u>	<u>(75,509)</u>	<u>558,615</u>	<u>(142,446)</u>	<u>433,898</u>
Other financing sources (uses):					
Operating transfers in	6,800	-	-	190,000	196,800
Operating transfers out	-	(25,000)	(415,000)	-	(440,000)
Total other financing sources (uses)	<u>6,800</u>	<u>(25,000)</u>	<u>(415,000)</u>	<u>190,000</u>	<u>(243,200)</u>
Net change in fund balances	100,038	(100,509)	143,615	47,554	190,698
Fund balances, beginning of year	<u>906,442</u>	<u>958,664</u>	<u>843,567</u>	<u>1,192,530</u>	<u>3,901,203</u>
Fund balances, end of year	<u>\$1,006,480</u>	<u>\$ 858,155</u>	<u>\$ 987,182</u>	<u>\$1,240,084</u>	<u>\$4,091,901</u>

See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances –
Governmental Funds to the Statement of Activities

Year Ended June 30, 2007

Net change in fund balances – total governmental funds (page 15) \$ 190,698

Amounts reported for governmental activities in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate
those expenditures over the life of the assets. Depreciation
expense exceeded capital outlay expenditures in the current
year as follows:

Depreciation expense	(2,023,400)
Expenditures for capital assets	262,939
Capital assets received through donation	7,378
Loss on disposition on capital assets	(28,365)
	<u>(1,781,448)</u>

Repayment of long-term liabilities is an expenditure in the
governmental funds, but the repayments reduce long-term
liabilities in the statement of net assets. Current year
activity is as follows:

Bond principal	165,000
Capital lease	6,756
Compensated absences	(6,547)
	<u>165,209</u>

Change in net assets of governmental activities (page 12) \$(1,425,541)

CITY OF ELDRIDGE, IOWA

Statement of Net Assets –
Proprietary Funds

June 30, 2007

<u>Assets</u>	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Community Center Fund</u>	<u>Total All Funds</u>
Cash and investments	\$ 2,046,198	\$ (367,328)	\$ 822,382	\$ 85,915	\$ 2,587,167
Receivables:					
Customer accounts and unbilled usage	334,866	91,149	76,843	-	502,858
Accrued interest	41,461	2,182	22,542	5,635	71,820
Due from other funds	(150,096)	390,310	(234,465)	-	5,749
Inventories	435,835	42,803	8,896	7,786	495,320
Prepaid insurance	11,932	6,111	7,425	5,842	31,310
Other assets	152	-	-	-	152
Restricted assets:					
Cash and investments	577,797	149,754	208,056	-	935,607
Construction in progress	428,753	-	404,116	-	832,869
Capital assets (net of accumulated depreciation)	<u>17,546,105</u>	<u>8,893,338</u>	<u>12,416,130</u>	<u>917,237</u>	<u>39,772,810</u>
Total assets	<u>21,273,003</u>	<u>9,208,319</u>	<u>13,731,925</u>	<u>1,022,415</u>	<u>45,235,662</u>
<u>Liabilities</u>					
Accounts payable	6,151	35,631	8,479	1,652	51,913
Salaries and benefits payable	92	149	229	2,544	3,014
Accrued expenses	51,179	-	-	-	51,179
Payable from restricted assets:					
Customer deposits	34,930	16,285	-	-	51,215
Revenue bonds	180,000	80,000	80,000	-	340,000
Accrued interest payable	12,792	3,469	1,556	-	17,817
Compensated absences	36,668	-	-	-	36,668
Long-term liabilities:					
Revenue bonds	3,310,000	920,000	445,000	-	4,675,000
Compensated absences	<u>43,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,797</u>
Total liabilities	<u>3,675,609</u>	<u>1,055,534</u>	<u>535,264</u>	<u>4,196</u>	<u>5,270,603</u>
<u>Net assets</u>					
Invested in capital assets, net of related debt	14,484,858	7,893,338	12,295,246	917,237	35,590,679
Restricted for revenue bond retirement	350,075	50,000	126,500	-	526,575
Unrestricted:					
Designated for:					
Equipment replacement	223,422	51,960	87,279	-	362,661
Capital projects	64,185	(22,061)	(37,572)	-	4,552
Undesignated	<u>2,474,854</u>	<u>179,548</u>	<u>725,208</u>	<u>100,982</u>	<u>3,480,592</u>
Total net assets	\$ <u>17,597,394</u>	\$ <u>8,152,785</u>	\$ <u>13,196,661</u>	\$ <u>1,018,219</u>	\$ <u>39,965,059</u>

See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA

Statement of Revenues, Expenses and Changes in Fund Net Assets –
Proprietary Funds

Year Ended June 30, 2007

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Community Center Fund</u>	<u>Total All Funds</u>
Operating revenues:					
Charges for service	\$ 2,582,263	\$ 573,284	\$ 567,451	\$ 239,155	\$ 3,962,153
Miscellaneous	<u>35,689</u>	<u>24,159</u>	<u>1,132</u>	<u>1,826</u>	<u>62,806</u>
Total operating revenues	<u>2,617,952</u>	<u>597,443</u>	<u>568,583</u>	<u>240,981</u>	<u>4,024,959</u>
Operating expenses:					
Business type activities:					
Cost of sales and services	2,627,421	323,036	349,866	229,645	3,529,968
Depreciation	<u>362,311</u>	<u>241,107</u>	<u>572,181</u>	<u>27,314</u>	<u>1,202,913</u>
Total operating expenses	<u>2,989,732</u>	<u>564,143</u>	<u>922,047</u>	<u>256,959</u>	<u>4,732,881</u>
Operating income (loss)	(<u>371,780</u>)	<u>33,300</u>	(<u>353,464</u>)	(<u>15,978</u>)	(<u>707,922</u>)
Non-operating revenues (expenses):					
Interest on investments	197,940	10,253	91,826	22,745	322,764
Interest expense	(<u>134,559</u>)	(<u>57,737</u>)	(<u>20,499</u>)	-	(<u>212,795</u>)
Total non-operating revenues (expenses)	<u>63,381</u>	(<u>47,484</u>)	<u>71,327</u>	<u>22,745</u>	<u>109,969</u>
Other financing sources (uses):					
Operating transfers in	3,100	134,890	250,000	-	387,990
Operating transfers out	(<u>134,890</u>)	(<u>3,100</u>)	(<u>6,800</u>)	-	(<u>144,790</u>)
Total other financing sources (uses)	(<u>131,790</u>)	<u>131,790</u>	<u>243,200</u>	-	<u>243,200</u>
Change in net assets	(<u>440,189</u>)	<u>117,606</u>	(<u>38,937</u>)	<u>6,767</u>	(<u>354,753</u>)
Net assets, beginning of year	<u>18,037,583</u>	<u>8,035,179</u>	<u>13,235,598</u>	<u>1,011,452</u>	<u>40,319,812</u>
Net assets, end of year	<u>\$17,597,394</u>	<u>\$ 8,152,785</u>	<u>\$13,196,661</u>	<u>\$ 1,018,219</u>	<u>\$39,965,059</u>

See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA

Statement of Cash Flows –
Proprietary Funds

Year Ended June 30, 2007

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Community Center Fund</u>	<u>Total All Funds</u>
Cash flows from operating activities:					
Cash received from customers and users	\$ 2,611,416	\$ 586,333	\$ 555,508	\$ 239,155	\$ 3,992,412
Cash received from other revenues	35,689	24,159	1,132	1,826	62,806
Cash paid for personal services	(240,115)	(125,913)	(194,596)	(118,656)	(679,280)
Cash paid to suppliers	(2,460,470)	(174,854)	(167,581)	(108,734)	(2,911,639)
Net cash (used) provided by operating activities	(53,480)	309,725	194,463	13,591	464,299
Cash flows from noncapital financing activities:					
Advances to other funds, net of advance repayments	(131,790)	131,790	243,200	-	243,200
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(2,691,849)	(594,092)	(426,650)	(25,651)	(3,738,242)
Proceeds received from revenue bonds	3,665,000	-	-	-	3,665,000
Principal paid on revenue bonds	(175,000)	(80,000)	(80,000)	-	(335,000)
Amounts loaned (paid) to other funds	620,492	(577,335)	-	-	43,157
Interest paid on revenue bonds	(121,767)	(44,304)	(20,665)	-	(186,736)
Other interest	-	(13,489)	-	-	(13,489)
Net cash provided (used) by capital and related financing activities	1,296,876	(1,309,220)	(527,315)	(25,651)	(565,310)
Cash flows provided by investing activities:					
Interest on investments	156,479	8,071	74,023	18,295	256,868
Net increase (decrease) in cash and investments	1,268,085	(859,634)	(15,629)	6,235	399,057
Cash and investments, beginning of year	1,355,910	642,060	1,046,067	79,680	3,123,717
Cash and investments, end of year	\$ 2,623,995	\$ (217,574)	\$ 1,030,438	\$ 85,915	\$ 3,522,774

(continued)

CITY OF ELDRIDGE, IOWA

Statement of Cash Flows –
Proprietary Funds, continued

Year Ended June 30, 2007

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Community Center Fund</u>	<u>Total All Funds</u>
Reconciliation of operating (loss) income to net cash provided by operating activities:					
Operating (loss) income	\$(371,780)	\$ 33,300	\$(353,464)	\$(15,978)	\$(707,922)
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:					
Depreciation expense	362,311	241,107	572,181	27,314	1,202,913
Decrease (increase) in customer accounts and unbilled usage receivable	24,816	8,961	(11,943)	-	21,834
(Increase) decrease in inventories	(24,197)	(4,995)	-	1,328	(27,864)
(Increase) decrease in prepaid insurance	(885)	(587)	524	(310)	(1,258)
Decrease in other assets	140	-	-	-	140
(Decrease) increase in accounts payable	(50,368)	27,849	(13,013)	1,652	(33,880)
(Decrease) increase in accrued wages	(583)	2	178	(415)	(818)
Decrease in accrued expenses	(8,837)	-	-	-	(8,837)
Increase in customer deposits	4,337	4,088	-	-	8,425
Increase in compensated absences	<u>11,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,566</u>
Net cash (used) provided by operating activities	<u>\$(53,480)</u>	<u>\$ 309,725</u>	<u>\$ 194,463</u>	<u>\$ 13,591</u>	<u>\$ 464,299</u>
Reconciliation of cash and investments at year end to specific assets included on the statement of net assets:					
Current assets:					
Cash and investments	\$ 2,046,198	\$(367,328)	\$ 822,382	\$ 85,915	\$ 2,587,167
Restricted assets:					
Cash and investments:					
Revenue bond retirement	542,867	133,469	208,056	-	884,392
Customer deposits	<u>34,930</u>	<u>16,285</u>	<u>-</u>	<u>-</u>	<u>51,215</u>
Cash and investments, end of year	<u>\$ 2,623,995</u>	<u>\$(217,574)</u>	<u>\$ 1,030,438</u>	<u>\$ 85,915</u>	<u>\$ 3,522,774</u>

See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

June 30, 2007

(1) Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

The City of Eldridge, Iowa (the City) is a political subdivision of the State of Iowa located in Scott County and operates under the Home Rule provisions of the Constitution of Iowa. The City also operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, recreation, community and economic development and general governmental services. The City also provides electric, water, sewer and sanitation utilities.

(a) Reporting Entity

For financial reporting purposes, the City of Eldridge, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization, or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. Under these criteria, it has been determined that the City has no component units for which it is financially accountable.

(b) Basis of Presentation

Government-wide Financial Statements

The statement of net assets and the statement of activities report information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The statement of net assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

(b) Basis of Presentation, continued

Government-wide Financial Statements, continued

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and; 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

(b) Basis of Presentation, continued

Fund Financial Statements, continued

General Fund, continued

General Fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid through other funds.

Special Revenue Funds

The Road Use Tax Fund is used to account for road construction and maintenance.

The Sales Tax Projects Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

The City reports the following major proprietary funds:

Electric Fund

The Electric Fund is used to account for the operation and maintenance of the City's electric system.

Water Fund

The Water Fund is used to account for the operation and maintenance of the City's water system.

Sewer Fund

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

Community Center Fund

The Community Center Fund is used to account for the operation of the City's Community Center.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

(c) Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal on long-term debt and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

(c) Measurement Focus and Basis of Accounting, continued

expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

(d) Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Investments

For purposes of financial reporting and the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Investments with an original maturity of greater than three months that can be redeemed anytime before maturity are also considered to be cash equivalents. Investments consist of certificates of deposit and are carried at cost, which approximates market.

Taxes Receivable, Including Tax Increment Financing

Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2007 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

(d) Assets, Liabilities and Fund Equity, continued

Taxes Receivable, Including Tax Increment Financing, continued

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1.50% per month penalty for delinquent payments, are based on January 1, 2005 assessed property valuations, are for the tax accrual period July 1, 2006 through June 30, 2007 and reflect tax asking contained in the budget certified to the County Board of Supervisors in March 2006.

Customer Accounts and Unbilled Usage

Customer accounts receivable are recorded in proprietary funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due From and Due To Other Funds

During the course of its operations, the City has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market (net realizable value). Inventories in the proprietary funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets

Restricted assets in governmental funds include funds set aside for road purposes. Funds set aside in proprietary funds for payment of revenue bonds are classified as restricted assets since their use is restricted by applicable bond covenants. Other restricted assets in proprietary funds include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

(d) Assets, Liabilities and Fund Equity, continued

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs not adding to the value of the asset or materially extending assets lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$25,000
Equipment and vehicles	5,000
Infrastructure	50,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Improvements other than buildings	10-25 years
Vehicles	6-10 years
Equipment	4-15 years
Infrastructure	12-40 years

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the statement of net assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

(d) Assets, Liabilities and Fund Equity, continued

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick leave, personal leave and comp time benefits. Vacation benefits must be used during employment. Sick leave benefits may be used during employment or accumulated up to the maximum hours limit established by the City for payment upon retirement or disability. Personal leave benefits may be used during employment or accumulated up to the maximum hours limit established by the City for payment upon leaving the City's employment unless terminated for cause. Comp time benefits may be used during employment or accumulated up to the maximum hour limit established by the City for payment upon leaving the City's employment.

A liability is recorded when incurred in the government-wide and proprietary fund financial statements. The governmental funds financial statements report a liability for accrued vacation, accrued personal leave and accrued comp time only. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund.

Long-term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the statement of net assets and the proprietary fund statement of net assets.

Fund Equity

In the governmental fund financial statements, restrictions of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(e) Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(2) Cash and Investments

(a) Deposit Accounts

The City's cash and investments at June 30, 2007 consist of the following:

Petty cash fund on hand	\$ 830
Checking accounts	1,001,122
Money market accounts	2,711,564
Certificates of deposit	3,802,316
	<u>\$7,515,832</u>

At June 30, 2007, the carrying amount of the City's deposits was \$3,712,686 and the related bank balance was \$3,847,498.

The City's deposits are categorized to give an indication of the level of risk assumed by the City at June 30, 2007. The City's deposits are all Category 1 and 2 which means that they are covered by depository insurance or collateral held by the City in the City's name or the financial institution's trust department in the City's name.

(b) Investments

The City's investments at June 30, 2007 are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Certificates of deposit	<u>\$3,802,316</u>	<u>\$3,802,316</u>

The City is authorized by state statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at June 30, 2007. The City's investments are all Category 1 and 2 which means that they are covered by depository insurance or collateral held by the City in the City's name or the financial institution's trust department in the City's name.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(3) Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 5,794	\$ -	\$ 5,794
Land	<u>1,220,500</u>	<u>-</u>	<u>-</u>	<u>1,220,500</u>
Total capital assets not being depreciated	<u>1,220,500</u>	<u>5,794</u>	<u>-</u>	<u>1,226,294</u>
Capital assets being depreciated:				
Buildings	1,478,800	-	-	1,478,800
Equipment and vehicles	776,195	264,523	(117,371)	923,347
Infrastructure, road network	<u>23,378,128</u>	<u>-</u>	<u>-</u>	<u>23,378,128</u>
Total capital assets being depreciated	25,633,123	264,523	(117,371)	25,780,275
Less accumulated depreciation	<u>8,187,859</u>	<u>2,023,400</u>	<u>(89,006)</u>	<u>10,122,253</u>
Total capital assets being depreciated, net	<u>17,445,264</u>	<u>(1,758,877)</u>	<u>(28,365)</u>	<u>15,658,022</u>
Governmental activities capital assets, net	\$ <u>18,665,764</u>	\$ <u>(1,753,083)</u>	\$ <u>(28,365)</u>	\$ <u>16,884,316</u>
Business type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ <u>3,374,082</u>	\$ <u>788,787</u>	\$ <u>(3,330,000)</u>	\$ <u>832,869</u>
Capital assets being depreciated:				
Buildings	22,726,596	5,647,782	-	28,374,378
Equipment and vehicles	847,323	45,390	(17,935)	874,778
Infrastructure, water and sewer network	<u>15,921,317</u>	<u>594,093</u>	<u>-</u>	<u>16,515,410</u>
Total capital assets being depreciated	39,495,236	6,287,265	(17,935)	45,764,566
Less accumulated depreciation	<u>4,798,968</u>	<u>1,202,913</u>	<u>(10,125)</u>	<u>5,991,756</u>
Total capital assets being depreciated, net	<u>34,696,268</u>	<u>5,084,352</u>	<u>(7,810)</u>	<u>39,772,810</u>
Business type activities capital assets, net	\$ <u>38,070,350</u>	\$ <u>5,873,139</u>	\$ <u>(3,337,810)</u>	\$ <u>40,605,679</u>

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(3) Capital Assets, continued

Depreciation expense for the year ended June 30, 2007 was charged to functions of the City as follows:

Governmental activities:

Public safety	\$ 15,203
Public works	1,960,852
General government	39,623
Culture and recreation	<u>7,722</u>
Total governmental activities	<u>\$2,023,400</u>

Business type activities:

Electric	\$ 362,311
Water	241,107
Sewer	572,181
Community center	<u>27,314</u>
Total business type activities	<u>\$1,202,913</u>

(4) Long-term Liabilities

A summary of transactions that occurred regarding bond obligations for the year ended June 30, 2007 is as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	<u>\$1,030,000</u>	<u>\$ -</u>	<u>\$ 165,000</u>	<u>\$ 865,000</u>	<u>\$ 170,000</u>
Business type activities:					
Revenue bonds	<u>\$1,685,000</u>	<u>\$3,665,000</u>	<u>\$ 335,000</u>	<u>\$5,015,000</u>	<u>\$ 340,000</u>

General Obligation Bonds

Two issues of unmatured general obligation bonds, totaling \$865,000 were outstanding at June 30, 2007. These bonds bear interest at rates ranging from 2.70% to 4.40% and mature in varying annual amounts from \$70,000 to \$100,000, with the final maturities due in the year ending June 30, 2013.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(4) Long-term Liabilities, continued

General Obligation Bonds, continued

Details of the general obligation bonds payable at June 30, 2007 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2007</u>
GO Refunding, Series 2001	November 15, 2001	2.70- 4.40%	June 1, 2013	\$ 80,000- 100,000	\$1,010,000	\$ 575,000
GO Refunding Urban Renewal, Series 2001A	November 15, 2001	2.75- 3.90%	June 1, 2011	\$ 70,000- 85,000	\$ 735,000	<u>290,000</u> <u>\$ 865,000</u>

A summary of the annual general obligation bond principal and interest requirements to maturity by year is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$170,000	\$ 34,593	\$204,593
2009	165,000	28,330	193,330
2010	170,000	21,955	191,955
2011	170,000	15,195	185,195
2012	95,000	8,265	103,265
2013	<u>95,000</u>	<u>4,180</u>	<u>99,180</u>
	<u>\$865,000</u>	<u>\$112,518</u>	<u>\$977,518</u>

Revenue Bonds

Three issues of unmatured revenue bonds, totaling \$5,015,000 were outstanding at June 30, 2007. These bonds bear interest at rates ranging from 1.75% to 4.60% and mature in varying annual amounts from \$70,000 to \$335,000, with the final maturities due in the year ending June 30, 2021.

The resolutions providing for the issuance of the revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the water, sewer and electric enterprise activity and the bond holders have a lien on the future earnings of the funds.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(4) Long-term Liabilities, continued

Revenue Bonds, continued

- b) Sufficient water, sewer and electric rates will be imposed to maintain a net revenue balance equal to at least 125.00% of the annual payments of principal and interest coming due in the same year.
- c) Monthly transfers shall be made to water, sewer and electric improvement funds until specific minimum balances have been accumulated. These balances are restricted solely for the purpose of paying principal and interest on the bonds.
- d) A sewer debt reserve fund will be maintained in an amount equal to the lesser of the maximum annual amount of principal and interest coming due on the bonds or 10.00% of the original principal amount of the bonds.
- e) An electric debt reserve fund will be maintained in an amount equal to the lesser of the maximum annual amount of principal and interest coming due on the bonds in any succeeding fiscal year, 10.00% of the original principal amount of the bonds or 125.00% of the average annual principal and interest coming due on the bonds.

During the year ended June 30, 2007, the City was in compliance with the revenue bond provisions.

Details of the revenue bonds payable at June 30, 2007 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2007</u>
Water						
Revenue, Series 2002	August 20, 2002	2.00- 4.60%	June 1, 2017	\$ 70,000- 125,000	\$1,380,000	\$1,000,000
Sewer						
Revenue Refunding, Series 2003	May 1, 2003	1.75- 4.00%	June 1, 2013	75,000- 100,000	765,000	525,000
Electric						
Revenue Series 2006	August 29, 2006	4.38- 4.50%	June 1, 2021	\$ 175,000- 335,000	\$3,665,000	<u>3,490,000</u> <u>\$5,015,000</u>

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(4) Long-term Liabilities, continued

Revenue Bonds, continued

A summary of the annual obligation bond principal and interest requirements to maturity by year is as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 340,000	\$ 213,796	\$ 553,796
2009	355,000	200,801	555,801
2010	375,000	186,784	561,784
2011	385,000	171,594	556,594
2012	405,000	155,680	560,680
2013-2017	1,905,000	528,045	2,433,045
2018-2021	<u>1,250,000</u>	<u>142,875</u>	<u>1,392,875</u>
	<u>\$5,015,000</u>	<u>\$1,599,575</u>	<u>\$6,614,575</u>

(5) Capital Lease Payable

A summary of capital lease obligations at June 30, 2007 is as follows:

Capital lease payable to leasing company, due in
monthly installments of \$8,519, including interest
at 6.00%, through May 2010, secured by equipment \$22,701

Less current installments 7,119

Capital lease obligations, net of current installments \$15,582

Annual maturities of capital lease obligations for each of the years subsequent to June 30, 2007 are as follows:

<u>Year Ending June 30,</u>	
2008	\$ 7,119
2009	7,558
2010	<u>8,024</u>
	<u>\$22,701</u>

(6) Interfund Loans/Advances/Transfers

The City had one interfund loan transaction during the fiscal year ended June 30, 2007 resulting from the electric fund aiding in the finance of a water tower. The loan is scheduled to be paid off in the year ending June 30, 2011.

At June 30, 2007, interfund loans were as follows:

<u>Due to</u>	<u>Due From</u>	<u>Amount</u>
Electric Fund	Water Fund	<u>\$269,778</u>

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(6) Interfund Loans/Advances/Transfers, continued

The City's cash management procedures occasionally result in short-term advances between funds that are repaid upon City Board approval from future revenues.

At June 30, 2007, interfund advances were as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Debt Service Fund	\$ 200
General Fund	Sewer Fund	35,660
General Fund	Electric Fund	52,887
General Insurance Self Funding Fund	Utility Insurance Self Funding Fund	3,852
Water Fund	General Fund	86,282
Water Fund	Water Sinking Fund	80,935
Water Fund	Sewer Sinking Fund	198,805
Water Fund	Electric Fund	375,000
Water Sinking Fund	Water Fund	6,125
Sewer Sinking Fund	Sewer Fund	200
Electric Fund	Electric Projects Fund	649,117
Utility Insurance Self Funding Fund	General Insurance Self Funding Fund	9,730
Utility Insurance Self Funding Fund	Accrued Employee Leave Fund	6,800
Accrued Employee Leave Fund	Electric Fund	4,664
		<u>\$1,510,257</u>

Such interfund advances are not reported as operating transfers.

Interfund transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

A summary of interfund transfers that occurred for the year ended June 30, 2007 is as follows:

<u>To</u>	<u>From</u>	<u>Amount</u>
General Fund	Sewer Fund	\$ 6,800
Debt Service Fund	Sales Tax Projects Fund	65,000
Capital Projects Fund	Road Use Tax Fund	25,000
Capital Projects Fund	Sales Tax Projects Fund	100,000
Sewer Fund	Sales Tax Projects Fund	250,000
Electric Fund	Water Fund	3,100
Water Fund	Electric Fund	134,890
		<u>\$584,790</u>

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(7) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.08% and 9.12%, respectively. The contribution rates for police employees and the City were 6.16% and 9.23%, respectively, for the years ended June 30, 2006 and June 30, 2005. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$76,850, \$78,030 and \$70,959, respectively, equal to the required contribution for each year.

(8) Compensated Absences

The City's liability for compensated absences at June 30, 2007 is as follows:

<u>Type of Benefit</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Personal	\$ 10,375	\$ 10,398	\$ 20,773
Vacation	31,432	23,140	54,572
Compensatory Time	5,304	3,130	8,434
Sick Leave	<u>60,128</u>	<u>43,797</u>	<u>103,925</u>
	<u>\$107,239</u>	<u>\$ 80,465</u>	<u>\$187,704</u>

The City maintains accrued leave reserves to offset the approximate liability for compensated absences. Employees may earn up to 160 hours per year of vacation, depending on years of service. Employees may carry a maximum of 80 hours to the subsequent anniversary year. Any unused vacation accumulated above these limits is forfeited. The City's sick leave policy allows its employees to accumulate up to 720 hours of sick leave which is payable when used or a maximum of 280 hours which is payable upon retirement or disability. No leave is paid when employment is terminated for any other reason. Employees earn 40 hours of personal leave per year and may accumulate up to 80 hours of personal leave. Employees may enter into an agreement with the City to earn compensatory time rather than being paid overtime for additional hours over 40 per week worked. Employees can accumulate up to 40 hours of compensatory time.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(9) Risk Management

The City is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Contract Commitments

The City has entered into an agreement at an estimated cost of \$800,000 for renovation of an electric generating plant. These renovations are now expected to be completed by June 2008. The renovation project is being financed through revenue bonds issued in August 2006 and is recorded as construction in progress on the statement of net assets. As of June 30, 2007, \$428,753 had been paid towards the renovation project.

The City has entered into a contract in the amount of \$124,149 for the construction of a bike trail. This project is being financed through intergovernmental taxes and is recorded as construction in progress on the statement of net assets. As of June 30, 2007, \$5,794 had been paid towards the cost of the project. The project was completed in October 2007.

The City has also entered into a contract in the amount of \$4,498,000 for the expansion of the waste water treatment plant. The expansion is expected to be completed in January 2009. This project is being financed through general obligation bonds issued in November 2007 and is recorded as construction in progress on the statement of net assets. As of June 30, 2007, \$376,793 had been paid towards the expansion project.

The City entered into a contract in the amount of \$902,268 for the improvements of the sanitary sewer system. The estimated completion date for the improvements is April 2008. The project will be financed through charges for services and is recorded as construction in progress on the statement of net assets. As of June 30, 2007, \$27,323 had been paid towards the improvements.

(11) Subsequent Events

In August 2007, the City issued \$500,000 of general obligation bonds to fund the purchase of a fitness center. These bonds will be payable from the Debt Service Fund of the City.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(11) Subsequent Events, continued

In August 2007, the City entered into a contract in the amount of \$139,359 for street improvements. This project will be funded through intergovernmental taxes.

In September 2007, the City entered into a contract in the amount of \$126,857 for street improvements. This project will be funded through intergovernmental taxes.

In November 2007, the City issued \$4,685,000 of general obligation bonds to fund the expansion of the waste water treatment plant. These bonds will be payable from a pledge of the net revenues of the municipal sewer utility.

CITY OF ELDRIDGE, IOWA

Budgetary Comparison Schedule of Receipts, Disbursements and
Changes in Balances – Budget and Actual (Cash Basis) –
Governmental Funds and Proprietary Funds

Required Supplementary Information

Year Ended June 30, 2007

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>	<u>Budget</u>	Budget to Actual <u>Variance</u>
Receipts:					
Property tax	\$ 1,332,850	\$ -	\$ 1,332,850	\$ 1,347,653	\$ (14,803)
Tax increment financing	327,137	-	327,137	311,790	15,347
Other taxes	726,865	-	726,865	707,647	19,218
Licenses and permits	160,630	-	160,630	125,140	35,490
Use of money and property	145,470	256,868	402,338	57,075	345,263
Intergovernmental	407,598	-	407,598	567,825	(160,227)
Charges for service	329,027	3,992,412	4,321,439	4,731,000	(409,561)
Miscellaneous	183,336	62,806	246,142	192,325	53,817
Total receipts	<u>3,612,913</u>	<u>4,312,086</u>	<u>7,924,999</u>	<u>8,040,455</u>	<u>(115,456)</u>
Disbursements:					
Public safety	687,345	-	687,345	731,028	43,683
Public works	1,021,362	-	1,021,362	628,020	(393,342)
Culture and recreation	339,701	-	339,701	261,937	(77,764)
Community and economic development	55,935	-	55,935	49,965	(5,970)
General government	623,808	-	623,808	716,945	93,137
Debt service	213,811	-	213,811	205,295	(8,516)
Capital projects	262,939	-	262,939	792,835	529,896
Business type activities	-	7,864,386	7,864,386	7,176,195	(688,191)
Total disbursements	<u>3,204,901</u>	<u>7,864,386</u>	<u>11,069,287</u>	<u>10,562,220</u>	<u>(507,067)</u>
Excess (deficiency) of receipts over (under) disbursements	408,012	(3,552,300)	(3,144,288)	(2,521,765)	(622,523)
Other financing sources (uses), net	(286,357)	3,951,357	3,665,000	2,000,000	1,665,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	121,655	399,057	520,712	(521,765)	1,042,477
Balances, beginning of year	<u>3,871,403</u>	<u>3,123,717</u>	<u>6,995,120</u>	<u>6,866,330</u>	<u>128,790</u>
Balances, end of year	\$ <u>3,993,058</u>	\$ <u>3,522,774</u>	\$ <u>7,515,832</u>	\$ <u>6,344,565</u>	\$ <u>1,171,267</u>

See accompanying independent auditor's report and notes to required supplementary
information – budgetary reporting.

CITY OF ELDRIDGE, IOWA

Budget to GAAP Reconciliation

Required Supplementary Information

Year Ended June 30, 2007

	Governmental Funds			Proprietary Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 3,612,913	\$ 66,788	\$ 3,679,701	\$ 4,312,086	\$ 35,637	\$ 4,347,723
Expenditures/ expenses	<u>3,204,901</u>	<u>40,902</u>	<u>3,245,803</u>	<u>7,864,386</u>	<u>(2,918,710)</u>	<u>4,945,676</u>
Net	408,012	25,886	433,898	(3,552,300)	2,954,347	(597,953)
Other financing sources, net	(286,357)	43,157	(243,200)	3,951,357	(3,708,157)	243,200
Beginning fund balances/net assets	<u>3,871,403</u>	<u>29,800</u>	<u>3,901,203</u>	<u>3,123,717</u>	<u>37,196,095</u>	<u>40,319,812</u>
Ending fund balances/net assets	<u>\$ 3,993,058</u>	<u>\$ 98,843</u>	<u>\$ 4,091,901</u>	<u>\$ 3,522,774</u>	<u>\$36,442,285</u>	<u>\$39,965,059</u>

See accompanying independent auditor's report and notes to required supplementary information – budgetary reporting.

CITY OF ELDRIDGE, IOWA

Notes to Required Supplementary Information –
Budgetary Reporting

Year Ended June 30, 2007

The budgetary comparison is presented as required supplementary information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized in the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based on nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects fund and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund or fund type.

During the year ended June 30, 2007, disbursements in the public works, culture and recreation, community and economic development, debt service and business type activities exceeded amounts budgeted.

CITY OF ELDRIDGE, IOWA

Combining Balance Sheet –
Nonmajor Governmental Funds

June 30, 2007

<u>Assets</u>	<u>Special Revenue</u>		
	<u>Hotel Tax Fund</u>	<u>LeClaire Road Tax Increment Financing Fund</u>	<u>Blackhawk Trail Tax Increment Financing Fund</u>
Cash and investments	\$ 70,934	\$ 467,799	\$ 119,690
Receivable, property tax:			
Current year	-	6,066	8,192
Succeeding year	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 70,934</u>	<u>\$ 473,865</u>	<u>\$ 127,882</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued interest payable	-	905	-
Due to other funds	-	-	-
Deferred revenue:			
Succeeding year property tax	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>905</u>	<u>-</u>
Fund balances:			
Unrestricted, designated for:			
Capital projects	-	-	-
Other purposes	70,934	466,894	119,690
Undesignated	<u>-</u>	<u>6,066</u>	<u>8,192</u>
Total fund balances	<u>70,934</u>	<u>472,960</u>	<u>127,882</u>
Total liabilities and fund balances	<u>\$ 70,934</u>	<u>\$ 473,865</u>	<u>\$ 127,882</u>

See accompanying independent auditor's report.

Schedule 1

Capital Improvement <u>Fund</u>	Street Projects <u>Fund</u>	Debt Service <u>Fund</u>	<u>Total</u>
\$ 128,866	\$ 433,074	\$ 6,900	\$1,227,263
-	-	1,691	15,949
<u>-</u>	<u>-</u>	<u>51,510</u>	<u>51,510</u>
\$ <u>128,866</u>	\$ <u>433,074</u>	\$ <u>60,101</u>	\$ <u>1,294,722</u>
\$ 46	\$ -	\$ -	\$ 46
-	-	1,977	2,882
-	-	200	200
<u>-</u>	<u>-</u>	<u>51,510</u>	<u>51,510</u>
<u>46</u>	<u>-</u>	<u>53,687</u>	<u>54,638</u>
128,820	433,074	-	561,894
-	-	-	657,518
<u>-</u>	<u>-</u>	<u>6,414</u>	<u>20,672</u>
<u>128,820</u>	<u>433,074</u>	<u>6,414</u>	<u>1,240,084</u>
\$ <u>128,866</u>	\$ <u>433,074</u>	\$ <u>60,101</u>	\$ <u>1,294,722</u>

CITY OF ELDRIDGE, IOWA

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances –
Nonmajor Governmental Funds

Year Ended June 30, 2007

	Special Revenue		
	Hotel Tax Fund	LeClaire Road Tax Increment Financing Fund	Blackhawk Trail Tax Increment Financing Fund
Revenues:			
Property tax	\$ -	\$ -	\$ -
Tax increment financing	-	246,743	87,228
Rent	-	-	-
Other taxes	43,755	-	-
Miscellaneous	-	-	-
Total revenues	<u>43,755</u>	<u>246,743</u>	<u>87,228</u>
Expenditures:			
Operating:			
Public safety	30,000	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Community and economic development	3,507	-	-
General government	-	137,757	72,121
Debt service	-	88,202	-
Capital projects	-	-	-
Total expenditures	<u>33,507</u>	<u>225,959</u>	<u>72,121</u>
Excess (deficiency) of revenues over (under) expenditures	10,248	20,784	15,107
Other financing sources - operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	10,248	20,784	15,107
Fund balances, beginning of year	<u>60,686</u>	<u>452,176</u>	<u>112,775</u>
Fund balances, end of year	<u>\$ 70,934</u>	<u>\$ 472,960</u>	<u>\$ 127,882</u>

See accompanying independent auditor's report.

Schedule 2

Capital Improvement Fund	Street Projects Fund	Debt Service Fund	Total
\$ -	\$ -	\$ 51,927	\$ 51,927
-	-	-	333,971
11,901	-	-	11,901
-	12,403	-	56,158
<u>21,515</u>	<u>-</u>	<u>-</u>	<u>21,515</u>
<u>33,416</u>	<u>12,403</u>	<u>51,927</u>	<u>475,472</u>
-	-	-	30,000
-	7,770	-	7,770
33,879	-	-	33,879
-	-	-	3,507
-	-	200	210,078
-	-	116,615	204,817
<u>127,867</u>	<u>-</u>	<u>-</u>	<u>127,867</u>
<u>161,746</u>	<u>7,770</u>	<u>116,815</u>	<u>617,918</u>
(128,330)	4,633	(64,888)	(142,446)
<u>75,000</u>	<u>50,000</u>	<u>65,000</u>	<u>190,000</u>
(53,330)	54,633	112	47,554
<u>182,150</u>	<u>378,441</u>	<u>6,302</u>	<u>1,192,530</u>
\$ <u>128,820</u>	\$ <u>433,074</u>	\$ <u>6,414</u>	\$ <u>1,240,084</u>

Schedule of Revenues by Source and Expenditures by Function –
All Governmental Funds

For the Last Four Years

	<u>Modified Accrual Basis</u>			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues:				
Property tax	\$1,362,577	\$1,268,026	\$1,182,351	\$1,014,645
Tax increment financing	333,971	491,543	561,576	653,347
Other taxes	729,709	716,783	643,067	593,202
License and permits	160,630	144,336	127,892	127,864
Use of money and property	167,674	134,750	77,521	56,934
Intergovernmental	407,598	409,046	388,016	468,177
Charges for service	334,206	208,551	184,126	154,069
Miscellaneous	<u>183,336</u>	<u>332,895</u>	<u>84,508</u>	<u>68,239</u>
Total	<u>\$3,679,701</u>	<u>\$3,705,930</u>	<u>\$3,249,057</u>	<u>\$3,136,477</u>
Expenditures:				
Operating:				
Public safety	\$ 706,876	\$ 682,575	\$ 698,881	\$ 589,775
Public works	1,040,989	520,029	597,320	574,077
Culture and recreation	344,664	232,845	213,124	196,599
Community and economic development	55,373	47,912	36,156	54,946
General government	621,626	673,350	591,459	700,392
Debt service	213,336	223,840	220,535	220,633
Capital projects	<u>262,939</u>	<u>219,226</u>	<u>244,551</u>	<u>539,307</u>
Total	<u>\$3,245,803</u>	<u>\$2,599,777</u>	<u>\$2,602,026</u>	<u>\$2,875,729</u>

See accompanying independent auditor's report.

GABELMANN & ASSOCIATES, P.C.

Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

The Honorable Mayor and
Members of the City Council
City of Eldridge, Iowa:

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldridge, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City of Eldridge, Iowa's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 27, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Eldridge, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Eldridge, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Eldridge, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Eldridge, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City of Eldridge, Iowa's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Eldridge, Iowa's responses to the findings identified in our audit are described in the accompanying schedule of findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Eldridge, Iowa and other parties to whom the City of Eldridge, Iowa may report. This report is not intended to be and should not be used by anyone other than these specified parties and others authorized by management.

Bettendorf, Iowa
March 27, 2008

Gabelmann & Associates, P.C.

CITY OF ELDRIDGE, IOWA

Schedule of Findings

Year Ended June 30, 2007

Part I: Summary of Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) The audit did not disclose any material weaknesses in internal control over financial reporting.
- (c) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (d) The audit did not disclose any noncompliance which is material to the financial statements.
- (e) The City of Eldridge, Iowa did not qualify as a low risk auditee.
- (f) The City of Eldridge, Iowa was not required to have an audit in accordance with Office of Management and Budget Circular A-133.

Part II: Findings Related to the Financial Statements

Significant Deficiencies

07-II-A Segregation of Duties

Finding: The City of Eldridge, Iowa has one employee who is responsible for posting, updating and maintaining the general ledger and is also responsible for maintaining the subsidiary ledgers for bank accounts, investments and reconciling the same to the general ledger. From a control standpoint, this combination of responsibilities is not conducive to adequate segregation of duties. As the City continues to grow, the lapse of time between identifying reconciling items and posting such to the general ledger increases the risk that losses from errors or fraud could occur and not be detected in a timely period (see also finding 07-II-B).

Recommendation: The City has a limited number of office personnel with which to attempt to implement controls to ensure that the financial data reported by management is processed in a timely and complete manner. The increased financial activity that the City is experiencing may require additional diversification of the City Clerk's responsibilities and an increased emphasis and focus to general ledger reconciliations and recording of financial data.

Response and Corrective Action Planned: True segregation of duties is not possible with available staff. However, duties are occasionally shifted among personnel to provide cross-training.

Conclusion: Response accepted.

CITY OF ELDRIDGE, IOWA

Schedule of Findings

Year Ended June 30, 2007

Part II: Findings Related to the Financial Statements, continued

Significant Deficiencies, continued

07-II-B Reconciliation of General Ledger Accounts

Finding: During the audit, several errors and discrepancies in the City of Eldridge, Iowa's general ledger system were noted as follows:

- 1) The City's police department maintains two checking accounts which do not get recorded in the general ledger or reconciled by the City.
- 2) The City did not record purchases and sales of certificates of deposit or the interest earned on these certificates of deposit, nor were the amounts reconciled to the general ledger.
- 3) There are no detailed listings maintained for the inventory of the Sewer Fund and no physical inventory counts were taken for the inventory of the General Fund, the Electric Fund, the Water Fund and the Sewer Fund so that general ledger accounts could be adjusted.
- 4) The City did not record the electric revenue bond issue in the general ledger. In addition, the City did not establish a Sinking Fund and a Debt Reserve Fund for the bond issue as required by the revenue bond provisions for the electric bond issue (see also finding 07-III-H).

Recommendation: Procedures should be implemented to ensure that responsibility is being assumed for the accuracy of amounts being recorded in the general ledger and that such amounts are being recorded on a timely basis. Reconciliation of general ledger accounts should be performed on a regular basis, typically monthly, with errors being investigated and corrected.

Response and Corrective Action Planned: Items 2 and 4 have been reconciled and corrected. Item 2 has been discussed with the City Council's finance committee, and corrective action will be taken before FY 2007-08 is complete. Item 2 will be addressed as time allows.

Conclusion: Response accepted.

CITY OF ELDRIDGE, IOWA

Schedule of Findings

Year Ended June 30, 2007

Part III: Other Findings Related to Required Statutory Reporting

07-III-A Certified Budget

Finding: Disbursements during the year ended June 30, 2007 exceeded the amount budgeted in the public works, culture and recreation, community and economic development, debt service and business type activities functions. In addition, total disbursements exceeded total budgeted expenditures. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation. Budgeted receipts in the proprietary funds were combined rather than breaking out uses of revenues separately.

Recommendation: The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget. In addition, correct classifications within appropriate functions should be used for budgeted expenditures and budgeted receipts.

Response: The City does not fully agree with this finding. Internal records indicate that disbursements did not exceed budgeted levels. We believe that this can be attributed mainly to the timing of accruals in the report. The City budgets on a cash basis and the budget should be judged on that basis rather than an accrual basis.

Conclusion: Response appears to indicate irregularities in internal reporting. The Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual is prepared on a cash basis.

07-III-B Questionable Expenditures

Finding: No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

07-III-C Travel Expense

Finding: No expenditures of City money for travel expenses of spouses of city officials or employees were noted.

07-III-D Business Transactions

Finding: No business transactions between the City and City officials or employees were noted.

CITY OF ELDRIDGE, IOWA

Schedule of Findings

Year Ended June 30, 2007

Part III: Other Findings Related to Required Statutory Reporting, continued

07-III-E Bond Coverage

Finding: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

07-III-F Council Minutes

Finding: No transactions were found that we believe should have been approved in the Council or Utility Boards minutes but were not.

07-III-G Deposits and Investments

Finding: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted (see also finding 06-II-C).

07-III-H Revenue Bonds

Finding: The City did not initially establish a Sinking Fund and a Debt Reserve Fund as required by revenue bond provisions for the electric revenue bond issue (see also finding 07-II-B).

Part IV: Summary of Prior Findings

06-II-A Segregation of Duties/Limited Number of Personnel

Comment still valid. Refer to current year finding 07-II-A.

06-II-B Reconciliation of General Ledger Accounts

Comment still valid. Refer to current year finding 07-II-B.

06-II-C Legal Depository Limits

Comment no longer valid. Corrective action taken.

06-II-D Time Sheet Compliance

Comment no longer valid. Corrective action taken.

CITY OF ELDRIDGE, IOWA

Schedule of Findings

Year Ended June 30, 2007

Part IV: Summary of Prior Findings, continued

06-II-E Transfers

Comment no longer valid. Corrective action taken.

06-II-F Customer Deposits

Comment no longer valid. Corrective action taken.

GABELMANN & ASSOCIATES, P.C.

Certified Public Accountants

The Honorable Mayor and
Members of the City Council
City of Eldridge, Iowa

In planning and performing our audit of the financial statements of the City of Eldridge, Iowa as of and for the year ended June 30, 2007, in accordance with U.S. generally accepted auditing standards, we considered the City of Eldridge, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

The City has one person with direct responsibility for posting, updating and maintaining the general ledger and the subsidiary ledgers. From an internal control standpoint, this combination of duties is not conducive to adequate segregation of duties to prevent losses from error or fraud.

The City has not assumed adequate responsibility for reconciliation of general ledger accounts. Discrepancies noted were as follows:

1. The police department maintains two checking accounts that do not get recorded in the general ledger or reconciled by the City.

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2. The City did not record purchases and sales of certificates of deposits or the interest earned on these certificates of deposit. Neither was reconciled to the general ledger.
3. The City does not maintain a detailed listing of the inventory of the Sewer Fund. Also, no physical inventory counts were taken for the inventory of the General Fund, the Electric Fund, the Water Fund and the Sewer Fund. Therefore, these amounts have not been reconciled to the general ledger.
4. The City did not record the electric revenue bond issue in the general ledger. Further, the City did not establish a Sinking Fund and a Debt Reserve Fund for the bond issue as required by the revenue bond provisions.

From an internal control standpoint, this is not conducive to ensure that accurate amounts are recorded in the financial statements.

This communication is intended solely for the use of the mayor, the Members of the City Council and management of the City of Eldridge, Iowa and is not intended to be and should not be used by anyone other than these specified parties.

Bettendorf, Iowa
March 27, 2008

Gabelmann & Associates, P.C.

GABELMANN & ASSOCIATES, P.C.

Certified Public Accountants

March 27, 2008

The Honorable Mayor and
Members of the City Council
City of Eldridge, Iowa:

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldridge, Iowa for the year ended June 30, 2007, and have issued our report thereon dated March 27, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 24, 2007, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statement does not relieve you or management of your responsibilities.

Planned Scope and Timing of Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of significant accounting policies and their application. The significant accounting policies used by the City of Eldridge, Iowa are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2007. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about the past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may

differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

1. Management's estimate of property tax receivable for the current year is based on amounts collected by the County but not yet received by the City and amounts unpaid. Management's estimate of property tax receivable for the succeeding year is based on taxes certified by the City to be collected in the next fiscal year. We evaluated the key factors and assumptions used to develop the receivables and the deferred revenue in determining that they are reasonable in relation to the financial statements taken as a whole.
2. Management's estimate of customer unbilled usage is based on amounts of service previously used. We evaluated the key factors and assumptions used to develop the receivable in determining that it is reasonable in relation to the financial statements taken as a whole.
3. Management's estimate of compensated absences is determined using rates of pay in effect at June 30, 2007. We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

We encountered no significant difficulties in dealing with management in performing and completing our audit.

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

We have requested certain representations from management that are included in the management representation letter dated March 27, 2008.

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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Certified Public Accountants

This information is intended solely for the use of the mayor, the Members of the City Council and management of the City of Eldridge, Iowa and is not intended to be and should not be used by anyone other than these specified parties.

Very Truly Yours,

Gabelmann & Associates, P.C.